BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Quadrennial Planning Process III	Docket No. 5-FE-101

COMMENTS OF CLEAN WISCONSIN REGARDING STAFF MEMORANDUM ON QUADRENNIAL PLANNING PROCESS III DATED MARCH 22, 2018

Clean Wisconsin appreciates this opportunity to comment on Commission staff's memorandum dated March 22, 2018, which relates to issues in the Quadrennial Planning Process III.

Overview

The Quadrennial Review Planning Process presents Wisconsin with the opportunity to strategically position our state to take advantage of least cost mechanisms for meeting current and future energy needs in the State of Wisconsin.

The Commission should take particular care in determining the appropriate goals, priorities, and measurable targets for energy efficiency and renewable resource programs, especially considering that these resources have much to contribute towards maintaining an affordable, reliable energy system while cutting pollution.

The Commission should also be sure to incorporate into decisions the results of the Energy Efficiency Potential Study conducted as part of this docket. That study showed that, while the current program is well structured for future success, there is a great opportunity to achieve benefits for the energy system and for ratepayers with an expansion of programming in Wisconsin. As a result, the Commission should also consider actions that could be taken to encourage such expansion – for example, addressing any barriers that may exist to substantial increases in utility voluntary programming for efficiency or renewable energy.

Section 1: Priorities

A. Emphasis between Energy and Demand

Focus should continue to place greater emphasis energy savings, while maintaining demand savings (**Alternative One**). While demand savings have a strong impact on reducing long-run marginal costs of energy, for example by deferring or offsetting the need for new capital

investment, energy savings tend to have the largest most immediate and direct impact on participant bills. As a result, an emphasis on energy savings helps to encourage program participation, maximize return on investment for customers where efficiency measures have increased incremental cost, and thereby help the program achieve as many potential benefits to ratepayers as possible. Indeed some customers, for example most residential customers, have no economic incentive to invest in demand-reducing measures at all (since residential demand charges are rare) except to the extent that those measure may also incidentally result in energy saving.

Additionally, prioritizing energy savings would likely have a greater impact on societal benefits such as emission reductions, and in so doing move the state farther toward a position of strength vis-à-vis future potential regulatory requirements. As energy efficiency is the lowest cost option for compliance with carbon regulations for example, giving energy savings a higher priority than demand savings would be beneficial for future Wisconsin ratepayers.

Although Focus should emphasize energy savings programs, it should continue to offer demand response programs. Programs focused on demand savings offer significant benefits in terms of tempering demand growth, reducing reliance on inefficient peaking units, depressing wholesale market prices when they are the highest, and over the longer term, avoiding new investments in capacity.

As Clean Wisconsin noted in previous comments, investment in energy efficiency and demand response should occur on an ongoing basis, regardless of the timing of capacity needs, because demand-side resources require time to implement. Continual investment in efficiency and demand response is important to avoid the outcome where a large portion of the cost-effective efficiency resources remains untapped over the long-term.

B. Emphasis of Business versus Residential

Funding for Focus programs currently allocates about 60 percent to business customer classes and 40 percent to residential customers. Clean Wisconsin recommends continuing this approach, which is consistent with **Alternative One**, because the funds collected for Focus programs are generally split between business and residential programs in this same proportion.

If the program funding allocation deviates significantly from the fund collection proportions, then the current funding allocation should be revisited. The amount that one sector subsidizes another sector is acceptable to some degree if it results in greater savings and is cost-effective without burdening a particular customer sector. However, subsidization should be limited to avoid customer equity issues. The Commission should be willing to revisit this issue should funding and budget allocations differ significantly.

C. Resource Acquisition versus Market Transformation

Among other benefits and goals, energy efficiency programs achieve two purposes. First, the savings they achieve serve as a resource alternative to supply side generation. Such resource acquisition goals are typically set on a short-term basis. Second, over the longer-term, energy efficiency programs reduce barriers to the adoption of more efficient measures, leading to market transformation. Resource acquisition targets typically achieve more attention than market transformation in efficiency planning proceedings, partly because the benefits are hard to determine and set goals for, and the timeframe needed to achieve market transformation (a decade or more) is typically longer than the planning proceeding. Nonetheless, market transformation is an important component to consider when setting goals for energy efficiency programs.

Resource acquisition is important to achieving short-term goals, which the Commission and Commission staff have continually recognized. The current question relates to the extent to which market transformation goals should be established in addition to resource acquisition goals.

Given the importance of market transformation, and for the reasons outlined by the Commission staff, Clean Wisconsin supports **Alternative Two**: "performance metrics and budgets that reflect specific market development and transformation goals, in addition to specific resource acquisition goals should be established. The market transformation goals should be set beyond and reviewed in the next quadrennium to reflect the long-range nature of certain efforts. Direct the EWG to report back to the Commission by November 1, 2018, on reasonable metrics for measuring progress on the areas chosen during the quadrennium."

Resource acquisition and market transformation strategies are both important to ensuring that energy efficiency programs remain useful and cost-effective over the long-term. Goals should be established for both strategy types, and Alternative Two strikes the appropriate goal setting balance between them.

Setting market transformation goals ensures that energy efficiency programs remain responsive to customers' needs and continually overcome barriers to customer participation, rather than risk becoming stagnant overtime.

If the Commission does establish performance metrics for market transformation, it is recommended that the metrics include quantitative benchmarks to the extent possible, rather than qualitative goals. Such an approach allows for a straight-forward determination of goal achievement at the completion of a performance cycle.

Section 2: Cost-Effectiveness of Programs

A. Cost-Effectiveness Tests

Since the inception of ratepayer-funded energy efficiency programs, cost-effectiveness screening practices have been employed to ensure that the use of ratepayer funds results in sufficient benefits. Screening practices have allowed regulators to promote investments in energy efficiency resources that benefit customers, utility systems, and society. Increasingly, energy efficiency resources are recognized as a means to curb the need for expensive supply side options, mitigate the need for increasing transmission and distribution (T&D) investments, and reduce environmental impacts, particularly with regard to climate change. As a result, many states have adopted increasingly aggressive energy efficiency standards, and energy efficiency programs are evolving in order to meet such goals. These developments in efficiency goals and efficiency program designs warrant increased scrutiny of the practices and methodologies used to screen energy efficiency for cost-effectiveness.

Wisconsin is an example of how states apply variations on so-called "standard" tests, relying on a modified version of the total resource cost (TRC) test. By using an updated version of the TRC test, the Commission has identified some policy objectives that have economically quantifiable impacts and are important to the state, allowing the Commission to make informed decisions. Clean Wisconsin encourages the Commission to continue this approach to cost-effectiveness screening by adopting **Alternative One**.

Informational Tests

In addition to continuing the use of the Modified TRC Test as the primary cost-effectiveness test for the Focus on Energy program, the Commission should use the following tests for information, in keeping with **Alternative One:** Modified TRC Test, Expanded TRC Test, Utility Test, and Society Test.

Non-Energy Benefits Should be included in Informational Tests

Non-energy benefits (NEBs),[1] should be included in cost-effectiveness tests to ensure that they are internally consistent. One of the more challenging aspects of applying cost-effectiveness tests is properly accounting for NEBs. There is a wide range of NEBs associated with energy efficiency

[1] This term is used to describe those benefits that are not part of the costs, or the avoided costs, of the energy efficiency provided by the utility. They can also include "other fuel savings," which are the savings of fuels that are not provided by the utility that funds the efficiency program.

programs, and these benefits are categorized by the perspective of the party that experiences the impact: the utility, the participant, or society at large:

- Utility-perspective NEBs include financial benefits to the utility from reducing customer bills, including for example, reduced arrearages and bad debt, and improved customer services.

- Participant-perspective NEBs include a variety of NEBs to the program participants, including for example, reduced operation and maintenance (O&M) costs, improved comfort, improved health and safety, increased worker and student productivity, and utility-related benefits (e.g., reduced termination and reconnection). Some of these NEBs can be particularly significant for low-income program participants. Participant perspective NEBs also includes reduced water use and other fuel savings.

- Societal-perspective NEBs include those non-energy benefits that accrue to society, including for example, environmental benefits, reduced health care costs, economic development impacts, reduced tax burdens, and national security impacts.

NEBs should technically be included in cost-effectiveness tests for which the relevant costs and benefits are applicable:

- When using the Societal Cost test, the utility-perspective, participant-perspective, and societal-perspective NEBs should be included to the greatest extent possible.

- When using the TRC test, the utility-perspective and participant-perspective NEBs should be included to the greatest extent possible.

- When using the Utility test, the utility-perspective NEBs should be included to the greatest extent possible.

If any one test includes the costs from one perspective, but excludes some or all of the benefits from that same perspective, then the test results will be skewed, i.e., they will not provide an accurate indication of cost-effectiveness from that perspective. This concern has been particularly problematic with regard to the basic TRC test as it has been applied by states throughout the country. The TRC test includes the impacts to both the utility and the program participant, and therefore should account for all of the costs and all the benefits that are experienced by the utility and the participants. This requires including all of the participant-perspective NEBs, to the extent possible.[2]

[2] See Synapse Energy Economics, Inc., "Energy Efficiency Cost-Effectiveness Screening: How to Properly Account for Other Program Impacts and Environmental Compliance Costs," prepared for Regulatory Assistance Project, November 2012, available at: http://www.synapse-energy.com/Downloads/SynapseReport.2012-11.RAP.EE-Cost-Effectiveness-Screening.12-014.pdf.

Wisconsin accounts for avoided emissions as part of the modified TRC test, and can account for economic benefits through the expanded TRC test, and so recognize that Focus achieves societal-perspective NEBs, and that these benefits are relevant for assessing the program's design and performance. The same rationale should be applied to the utility-perspective NEBs.

Such NEBs are so critically important to capture in cost-effectiveness testing that, Clean Wisconsin recommends that they be included in informational tests of both a modified TRC test as well as the expanded TRC test. Such benefits are not only relevant for assessing program design and performance but are essential to ensuring accurate cost-effectiveness test results. Excluding NEBs from any version of the TRC test will result in misleading cost-effectiveness results that are skewed against energy efficiency and will result in underinvestment in energy efficiency programs and higher costs for customers.

How to Account for Non-Energy Benefits in the TRC tests

Regarding how to account for NEBs in the TRC test, there are a number of options available to the Commission.[3] Two viable, cost-effective ways to estimate NEBs are addressed in turn below, based on a study by Skumatz Economic Research Associates, Inc. (SERA), which includes an assessment of NEBs used in other states.[4]

The first way that NEBs could be addressed is if Wisconsin conducted an evaluation specifically to estimate those NEBs. Such an approach would be beneficial and likely reliable, as over twenty years of research and measurement of traditionally-omitted NEBs have provided increasingly robust and consistent results that are suitable for states to include in cost-effectiveness testing. While the cost of such a study is often cited as a barrier to estimating explicit values for NEBs, many of the most important NEBs can be incorporated into existing process evaluations with marginal cost increases.

Alternatively, Wisconsin could estimate NEBs using a simple cost adder. The SERA study indicates typical adders ranging from 184% of benefits to 300% of benefits. The SERA study grounds these levels in years of research and state practices. Clean Wisconsin recommends that adders be applied on a program-specific basis, and should fully account for the range of NEBs provided by each program.

The Rate Impact Measure Test Should Not be Applied in Wisconsin

Clean Wisconsin strongly opposes use of the Rate Impact Measure (RIM) test for any function (e.g., cost-effectiveness or information) in the state of Wisconsin. This test tends to be the most

[3] See Synapse Energy Economics, Inc., "Energy Efficiency Cost-Effectiveness Screening: How to Properly Account for Other Program Impacts and Environmental Compliance Costs," prepared for Regulatory Assistance Project, November 2012, available at: http://www.synapse-energy.com/Downloads/SynapseReport.2012-11.RAP.EE-Cost-Effectiveness-Screening.12-014.pdf.

[4] Skumatz Economic Research Associates, Inc., "Non-Energy Benefits / Non-Energy Impacts (NEBs/NEIs) and Their Role & Value in Cost-Effectiveness Tests: State of Maryland," March 31, 2014.

restrictive of all the efficiency tests, because the utility lost revenues can make very large contributions to the energy efficiency program costs. Most, if not all, states have ruled that the RIM test should not be used as a test for evaluating energy efficiency cost-effectiveness. There are several reasons for this.

- Applying the RIM test to screen efficiency programs will not result in the lowest cost to society or the lowest cost to customers on average. Achieving the lowest rates is not the primary goal of utility planning and regulation, however, especially if lower rates lead to higher costs to customers on average.

- A strict application of the RIM test can result in the rejection of large amounts of energy savings and the opportunity for large reductions in many customers' bills.

- The RIM test does not provide useful information about what happens to rates as a result of program implementation. A RIM test benefit-cost ratio of less than one indicates that rates will increase in the very near-term (all else being equal), but says little to nothing about the magnitude of the rate impact or the long-term impacts. And it says nothing at all about the amount of cost savings associated with the energy efficiency program.

- Screening efficiency programs with the RIM test is inconsistent with the way that supply-side resources are screened, and creates an uneven playing field for the consideration of supply- and demand-side resources. There are many instances in which utilities invest in new power plants or transmission and distribution facilities in order to meet the needs of a subset of customers (e.g., new residential divisions, an expanding industrial base, geographically-based upgrades).

Rate impacts are an important consideration for regulators and other efficiency stakeholders. However, while high-incremental-cost efficiency programs can lead to increased rates in the near-term, they have been shown to keep rates down in the long-term by avoiding the need for new capacity additions. Energy efficiency in Wisconsin reduces rates for all customers, not just participants.

It is important to recognize that the rate impacts of energy efficiency programs are not a matter of cost-effectiveness. Lost revenues do not represent an incremental cost. Due to the potentially misleading results that the RIM test therefore provides, it should not be used to inform efficiency programs around cost-effectiveness. Instead, efficiency program administrators should take steps to (1) analyze rate and bill impacts in a fashion that provides much more information than what is available from the RIM test; (2) design programs in a way that mitigates rate impacts without sacrificing energy efficiency savings; and (3) work to increase the number of program participants so as to mitigate any short-term equity concerns between participants and non-participants.

B. Avoided Costs

1. Electric Avoided Energy Costs

Over the next two decades, transmission and distribution investments in the U.S. are expected to average about $50 billion annually, a significant portion of which will likely be due to load growth rather than equipment aging. Energy efficiency has the potential to provide sizable benefits to the system by helping to defer T&D investments related to load growth. In fact, ACEEE found that most states (82%) incorporate some value for avoided T&D investment in their avoided costs. Energy efficiency should be given credit for this benefit in Wisconsin as well.

As noted by Staff however, "use of forecasted methods may not fully capture the transmission and distribution costs associated with present-day LMPs." For the purposes of energy efficiency planning, avoided electric energy costs should include those avoided transmission and distribution costs. Clean Wisconsin therefore **Alternative Two**.

2. Avoided Electric Capacity Costs

For the purposes of energy efficiency planning, avoided electric energy costs should include all avoided electric costs, including transmission and distribution costs, as well as forecasted avoided capacity costs consistent with the focus of the programs on energy or demand savings. Since those avoided capacity costs can include so-called "baseload," "intermediate," and "peaker" plants, it follows that all such plants should be considered when determining avoided costs (**Alternative Two**). As noted by Staff regarding baseload and intermediate capacity, "Focus' effects may be of particular significance within the next several years if the Commission expects significant retirements of existing baseload and intermediate capacity." Indeed, with the recent retirement of We Energies' Pleasant Prairie power plant serving as the most recent example, it is clear that such retirements are already underway.

3. Natural Gas Avoided Costs

Avoided natural gas costs should be forward-looking for the purposes of energy efficiency planning, and based on a long-term price forecast (consistent with **Alternative Two**). Additionally, it should be recognized that energy efficiency programs that reduce natural gas use have a number of benefits, including some or all of the following avoided costs:

- Avoided gas supply costs due to a reduction in the annual quantity of gas that has to be produced;
- Avoided pipeline costs due to a reduction in the quantity of gas that must be delivered; and

- Avoided local distribution infrastructure costs due to delays in the timing and/or reductions in the size of new distribution projects, as a result of reductions in gas usage.

The avoided natural gas costs that the Commission decides to use should include consideration of all of these elements, for the state and its localities. For natural gas price forecasts conducted previously, the Evaluation Work Group (EWG) should verify whether gas transmission and distribution investment is included in the price, and if not, it should develop adders to include in the avoided gas value. Based on limited research, it appears that the MISO MTEP forecast does not include gas T&D, as Henry Hub is the basis.

C. Discount Rate

Discount rates are commonly used to compare future streams of costs in a consistent way, by estimating the present value of the costs and expressing them in a common reference year. The choice of discount rate will have a significant impact on the present value of costs and benefits; relatively high discount rates will significantly reduce the value of costs and benefits in the later years of the study period, while relatively low discount rates will reduce that value by much less. A discount rate of zero means that costs and benefits in future years are valued as much as costs and benefits today. The choice of discount rates is especially important for energy efficiency resources, whose costs are typically incurred in early years while benefits are experienced in later years.

The discount rate used for efficiency screening should reflect the relatively low financial risk of the energy efficiency programs. Financial risk refers to the risk associated with the funding (i.e., the cost of capital) used to invest in the supply-side or demand-side resource. Energy efficiency programs in Wisconsin are financed by a system benefits charge, and so should use a low-risk discount rate to reflect the low financial risk of the funding source. A low-risk discount rate could, for example, be based on a general indicator of low-risk investments, such as US Treasury bonds.

When screening energy efficiency resources, the Commission should consider using risk-adjusted discount rates to reflect the low project and portfolio risks associated with energy efficiency. Project risk refers to the risks associated with planning, constructing and operating the resource or project, while portfolio risk refers to the risk experienced by an investor from the total portfolio of investments, projects, or resources. Using a risk-adjusted discount rate based on project and portfolio risk means reducing the discount rates, to a level below the discount rate that is chosen solely on the basis of the cost of capital. Therefore, because Focus is funded through a system benefits charge, the Commission should start with a low-risk discount rate based on the cost of capital (e.g., 2 percent based on the US Treasury Bond), and then adjust it downward to reflect the project and portfolio risk reduction benefits (e.g., 0 percent).

Such an approach would lead the Commission to choose **Alternative Two**: "Use a discount rate of 0 percent in Focus' cost-effectiveness tests." This recommendation leads to a discount rate that is typically used when evaluating societal costs. However, a zero discount rate is recommended

because it accurately reflects the low financial, project, and portfolio risks associated with Focus programs, not because it is the discount rate typically used to evaluate societal costs.

While there is a solid foundation for using a 0 percent discount rate, the Commission could alternatively continue with the current discount rate of 2 percent. Such an approach would be consistent with accounting for the low-risk profile of energy efficiency programs. Both the 0 percent and 2 percent discount rates are consistent with a policy objective to reduce emissions on a long-term basis.

D. Value of Carbon

Inclusion of the value of avoided carbon emissions is critical to recognize current market costs of emissions reduction, as well as to meet the policy objectives of reducing regulatory risk and the associated future costs to ratepayers. This cost of regulatory risk and future environmental compliance should not be confused with environmental externalities. These costs represent the anticipated costs that will be incurred by utilities in the future to comply with environmental requirements; costs that will eventually be passed on to ratepayers, and thus are clearly within the definitions of both the TRC test and the Utility Cost test, as well as the Societal Cost test. In contrast, environmental externalities represent costs of environmental damages to society in general, or the costs of abating those actions that lead to the damages.

While economic externalities associated with the social benefits of reduced emissions are likely significant, they are more difficult to quantify. As a result, the Commission has historically set that value based on either a balance of social costs and market costs, or based on market costs alone. For example, the Commission had until the last Quadrennial Planning Process found that a value of $30 per ton struck a balance between those short-term and long-term values of reduced emissions. Clean Wisconsin continues to disagree with the decision made by the Commission to forgo consideration of social costs altogether in favor of a $15 per ton market-based cost, and advises that the commission set the value of carbon emissions to the more appropriate level that also considers the social cost of carbon (**Alternative Three**). For example, while key metrics such as the cost of emissions on the California's emissions trading market have continued to increase, we would support a return to the previous level for Focus planning of $30 per ton.

Section 3: Funding Allocation Decisions

With regard to Section III. Programs with Funding Allocation Decisions, Clean Wisconsin asks that the Commission please refer to the Joint Comments submitted on behalf of Renewable Industry and Allies, of which we are a signatory.

However, Clean Wisconsin also has the additional following comment on a subsection not addressed by the Joint Comments:

C. Inclusion of Underserved Rural Areas

Due to the potential barriers faced by residents in rural areas with regard to accessing energy efficiency programing, Clean Wisconsin encourages the Commission to continue taking steps to provide additional education, outreach, assistance, and/ or programming when necessary to encourage participation at levels that are appropriate when compared to other population groups.

However, in deciding the level of funding to apply to such efforts, the Commission should be cognizant of the original source of funding for the noted rural programs. The following funds were identified and allocated between Digester and Rural programs in the Final Decision regarding Dockets 5-FE-102 and 5-FE-100 dated December 20, 2016: $25 million was the result of reducing the Focus reserve fund target (Designated Fund) from $30 million to $5 million; $3.2 million were from previously unallocated municipal and cooperative contributions; $6,103,786 were from other previously unallocated funds; and $7,099,978 were from 2015 carryover funds.

Crucially, all of those sources of funding were *additional* to core funding – either previously unallocated, or from reducing the reserve fund. This is in stark contrast to the potential funding options in the Memo that rely on core program funding going forward to support the Digester or Rural programs. Any such a funding option would necessarily reduce core program performance, and the cost of reduced benefits from the Focus program. As a result, any funding for the Rural Program should come from the latter of 2 sources identified in the Memo: carry-over from rural broadband programs, or digester funds. This is particularly true of expenditures that do not directly result in energy savings, such as the $50 broadband service vouchers provided as part of the Connected Device Kits program.

Regardless of which of those two funding sources the Commission decides on, it is also critical that future programs are fully informed by past performance to ensure effectiveness. As it is clear that more time is required for existing pilot projects and programs to unfold before their effectiveness can be ascertained, Clean Wisconsin recommends **Alternative Four**.

Section 4: Focus-Utility Collaboration Issues

As Clean Wisconsin noted in its previous comments in this docket, utility-administered programs, while now generally limited in size and scope, once made up a substantial portion of efficiency and renewable resource funding in the state. For example, Table 18 in the September 17, 2010 Memorandum on the Quadrennial Planning Process (PSC REF#: 144537) shows utility voluntary programs accounting for $55.3 million in annual funding at the time, or nearly 40% of total Act 141 funding ($93 million in annual funding was from statewide programs).

There is a significant potential for additional energy savings, and commensurate reductions in system costs, through policies to enable and incentivize voluntary programs to expand again. The recent Energy Efficiency Potential Study identified a 12-Year Achievable Potentials of

approximately 9.7 TWh and 449.8 million therms in a "Maximum Incentive" scenario compared to the 6.2 TWh and 270.5 million therms of potential in the "BAU" scenario. Notably, the only difference between these two scenarios was funding level, making the difference in savings a very conservative estimate. Measure adoption ramp rates, for example, were not increased, and additional measures were not added. This considerable additional potential for energy savings came with substantial benefits: the benefit-cost ratio was very high in the Maximum scenario, with an mTRC value of 9.33 (well above the 1.0 threshold at which benefits begin to exceed costs). Additionally, there were other scenarios in which potential savings were even higher while still maintaining a high overall cost benefit (e.g. the 0.5 Threshold Scenario, which increased total economic electric and natural gas potential by 20.7% and 37.3%, respectively, maintained an overall mTRC of 8.58).

Similarly, while utility voluntary renewable energy programs are limited at this time, there is a significant potential for those programs to cost-effectively benefit the energy system in Wisconsin. Costs such as capacity, transmission, distribution, operations and maintenance, and fuels costs, for example can all be reduced by renewable energy. This is particularly true when that renewable energy programming is strategically linked to efficiency programming, but is also true for renewable energy alone – especially when long-run marginal costs are considered. Renewable energy programs are also of great importance for all the items for the priority under Wis. Stat. § 196.374(3)(b)1, such as promoting rural economic development.

With appropriate policies and guidance in place, utilities could be incentivized to make substantial investments in efficiency and renewable energy that are complimentary to existing statewide programs, and represent "win-win-win" scenarios for Wisconsin ratepayers, utility investors, and public policy goals.

A. Collaboration Framework

As noted by Staff there has been significant benefit to both the Focus program and to utilities through collaborative efforts. As also noted by Staff however, there are likely additional substantial benefits that could be realized with more collaboration. Based on that opportunity and other identified challenges that could be mitigated through a more structured approach to collaboration, there is clear reason to develop a *"framework for the process of ongoing collaboration"* as described in the Memo.

However, to ensure that any initiatives that result from the framework are in keeping with public policy goals and avoid unintended consequences, it is critical that a broad and representative set of perspectives is included on the steering committee. For that reason, Clean Wisconsin supports **Alternative Two**. The formal framework for enhanced collaboration described in the Memo should be modified to add representatives from the following stakeholders to the steering committee: customer groups, environmental groups, program implementers, and non-participating energy providers.

B. Behavioral Programs

Behavioral-based programs have become a popular energy efficiency program offering in states throughout the country due to their effectiveness in helping customers reduce their energy usage and the cost savings experienced by the customer and the utility system. Such innovative ways to achieve savings speaks to Program Administrator's responsiveness to customer usage, as well as expanding the portfolio of program opportunities for customers.

Unlike when behavioral programs were last considered by the Commission in a Quadrennial Planning Process, there is now an expansive pool of research quantitatively demonstrating the benefits of such programs. Notably, when behavioral programs were considered alongside other program types in the recent Energy Efficiency Potential Study in the current docket, they represented the single largest potential growth area for achievable savings in new residential programming (7% of all potentially residential achievable savings).

As noted in the Memo however, recent pilot program experience in Wisconsin has demonstrated challenges in implementing behavioral programs, for example around issues of data sharing between utilities and program implementors. As a result, Clean Wisconsin encourages the Commission to continue encouraging behavioral programming, but to do so in a way that may help reduce implementation barriers by adopting **Alternative One**. It is important to note however that many of those barriers could also be addressed, albeit less efficiently, outside of a formal framework as laid out in the Memo. As a result, If the Commission opts not to establish a framework, Alternative Two would be the appropriate course of action.

C. Accessibility of Data from Participating Utilities

As indicated by Staff in the Memo, there are significant potential benefits of data sharing. It is therefore important that arrangements for such sharing be made. However, also as indicated in the memo, there are potential sensitivities and variation in appropriate data sharing arrangements, so it will be important that such arrangements are developed in a careful way. As a result, the Commission should adopt **Alternative One** to take advantage of the framework previously described to address future data sharing. If such a framework is not established, Alternative Two would allow for those important arrangements to still be made and benefits to be realized.

D. Utility Voluntary Programs

There is a clear and considerable potential for additional benefits from expanded efficiency and renewable programming in the state. The recent Energy Efficiency Potential Study conducted under this Docket is only the latest and most robust evidence of that, for example identifying 12-Year Achievable Potentials of approximately 9.7 TWh and 449.8 million therms in a "Maximum Incentive" scenario compared to the 6.2 TWh and 270.5 million therms of potential in the "BAU"

scenario. As previously noted, the only difference between these two scenarios was funding level, and the potential benefit-cost ratio in that Maximum scenario was an mTRC value of 9.33.

Since the funding level for the Focus program is currently constrained by statute however, the Commission should provide a clear and unambiguous signal to utilities that voluntary programs – one source of potential additional funding to help realize the net benefits identified in the Potential Study – are highly encouraged. As the Commission cannot order voluntary programs to be developed however, as suggested in the language of Alternative One, the Commission should adopt a **modified Alternative One** that states instead "Utility voluntary programs shall be *encouraged, with their development and implementation to be in* connection with the framework for enhanced collaboration between Focus and utilities described in this memorandum." If the Commission opts not to adopt the framework proposed here, a further modification to Alternative One should be adopted: "Utility voluntary programs shall be *encouraged, with collaboration between Focus and utilities considered in their development and implementation*."

Additionally, since not all of the barriers to expanded voluntary programming have yet been identified or addressed, and since such programs will likely take time to develop, the commission should also direct staff to conduct analysis on the potential benefits and costs of such programs, as well as the barriers to significantly expanded voluntary programs from utilities. However, it is not necessary that those findings focus exclusively on incorporation into a collaborative framework. Indeed, there may well be benefits, costs and barriers outside of such a framework whether or not the Commission decides to move forward with the framework structure proposed in the Memo. For this reason, Clean Wisconsin encourages the Commission to also adopt a **modified Alternative Two** that maintains the analysis put forward in the memo, but is not limited in applicability to a collaborative framework.

Guidance for Voluntary Programs

As noted by staff, no guidance currently exists for utility voluntary programs that could provide support for determining program designs and funding levels, or for ensuring clear distinctions between CSC activities and voluntary programs. While the guidance outlined in this Memo would be a step forward, as previously noted, not all barriers to significantly expanded voluntary programs from utilities have been identified in this Memo. As a result, the guidance proposed is not likely to address all such barriers. For example, guidance could do more than indicate the types of voluntary programs that the Commission deems appropriate by expanding to include specific information where possible on the parameters of programs that the Commission may deem appropriate when conducting its review under § 192.374(3)(c)2 and Wis. Admin. Code § PSC 137.08.

Indeed, without further study it is unclear that the guidance outlined in the Memo addresses the most important barriers to expanded utility voluntary programming. In the current regulatory structure for example, utilities have a financial incentive to increase sales that may be at odds with significantly expanded efficiency programming despite clear benefits to ratepayers. Fortunately, there have been many policy options developed and implemented throughout the country to make

utility cost recovery neutral or positive with respect to efficiency and renewable programming. The Commission would benefit from a process by such solutions are reviewed and considered, as well as identifying other potential barriers and their corresponding resolutions.

Since the current guidance on types of programs put forward in the Memo is appropriate, Clean Wisconsin encourages the Commission to approve them. However, if such an approval is the only action taken, it is not likely to result in significant new voluntary programming. As a result, we strongly encourage the Commission to adopt both **Alternative One** and **Alternative Three**, to establish guidance in keeping with the Memo, but with additional research to be conducted so that other barriers to significantly expanded utility voluntary programming can be identified, and so that future guidance can address those barriers.

Section 5: Setting Energy Goals

Overall Energy Savings Goals

Clean Wisconsin continues to support past practice of an overall goal with exchange rate so that Focus can achieve the overall goal through either electricity or gas savings, in keeping with proposed **Alternative One**.

This approach achieves two important objectives. First, it maintains minimum levels for kWh and therm savings, which limits cross-subsidization between gas and electric ratepayers, thereby preserving customer equity. It also ensures that Focus offers a range of efficient measures and services to customers, which can reduce lost opportunities. Second, it provides Focus flexibility in how it achieves its goals. This allows Focus to respond to customer demand, adapt quickly to changing market conditions, maintain efficient use of limited funding, and ensure cost-effective programs.

Contract Goals

While both annual and life cycle savings are important for program evaluation and should continue to be tracked for that purpose, the best program results will be achieved when the goals of the Commission are aligned with the goals of the Program Administrator. As a result, Clean Wisconsin supports the Commission setting goals based on net life cycle savings as shown in **Alternative Two**.

Conclusion

Clean Wisconsin thanks you for this opportunity and your consideration of these comments.

Respectfully submitted this 13th day of April, 2018

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